

The Sharing Economy

Revenue Laws Study Committee

November 18, 2014

What & Why

- **Short-Term Rentals**

- The NC Restaurant & Lodging Association asked RLSC to study regulatory and tax issues associated with growth of peer-to-peer short-term rentals.

- **Digital Dispatch Services**

- S.L. 2014-108 directed RLSC to study registration requirements, fees, and penalties applicable to for-hire passenger vehicles, including those directed by digital dispatching services.



The Sharing Economy



BookMooch

New life for Old books

Cookening



U B E R



RelayRides



taskrabbit
Life is busy. We can help.



NeighborGoods




lyft

LendingClub



ParkatmyHouse.com

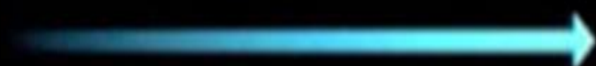
zipcar
wheels when you want them



The consumer peer-to-peer rental market alone is worth \$26 billion.

- The Economist, March 2013

20TH CENTURY



HYPER
CONSUMPTION

=

CREDIT

+

ADVERTISING

+

INDIVIDUAL OWNERSHIP

21ST CENTURY



COLLABORATIVE
CONSUMPTION

=

REPUTATION

+

COMMUNITY

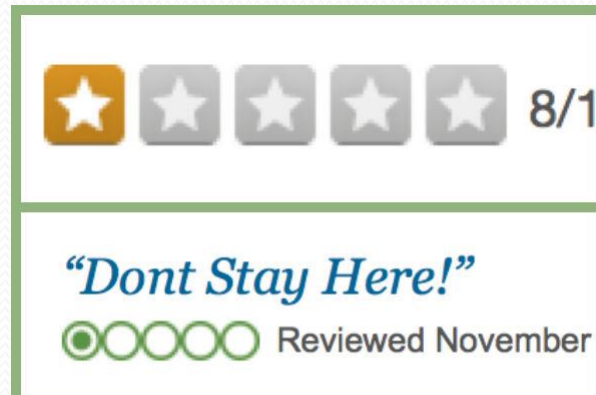
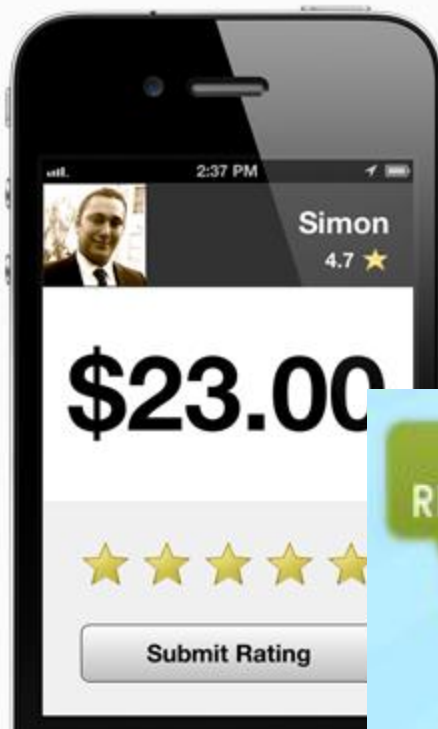
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SHARED ACCESS

- Access over Ownership
- Desire for community
- Facilitates use of underutilized assets
- Controls labor costs
- Driven by “reputation capital”



Reputation Capital



The “Disruptors”

- Skirting the system.
- Funneling off workers
- Privileges the privileged
- Shifts risk to workers; wage degradation
- Not about trust, but desperation



Short-Term Rentals

Trina Griffin, Research Division

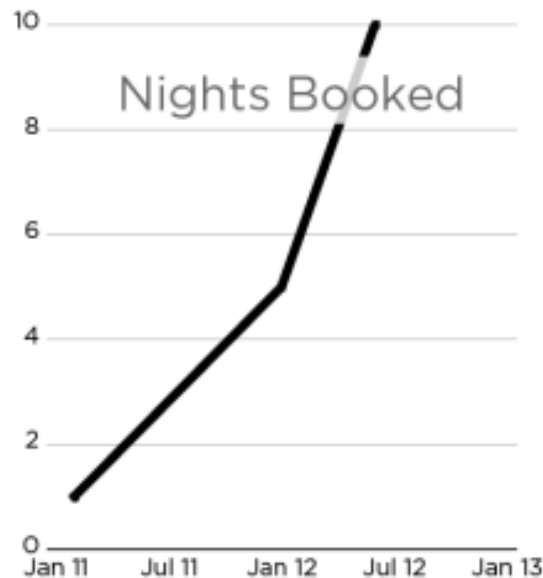
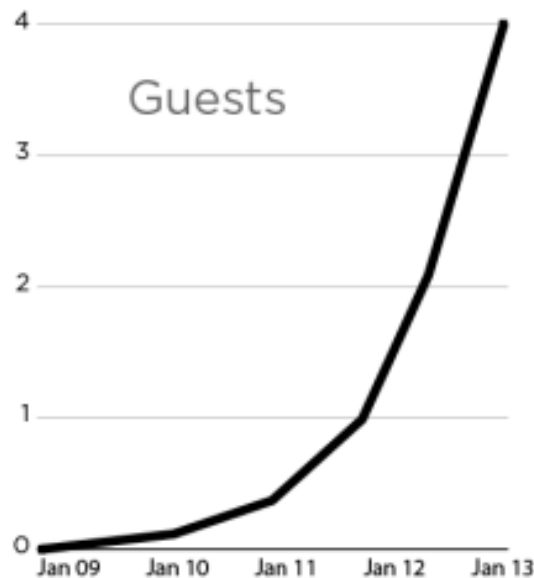
Home Sharing





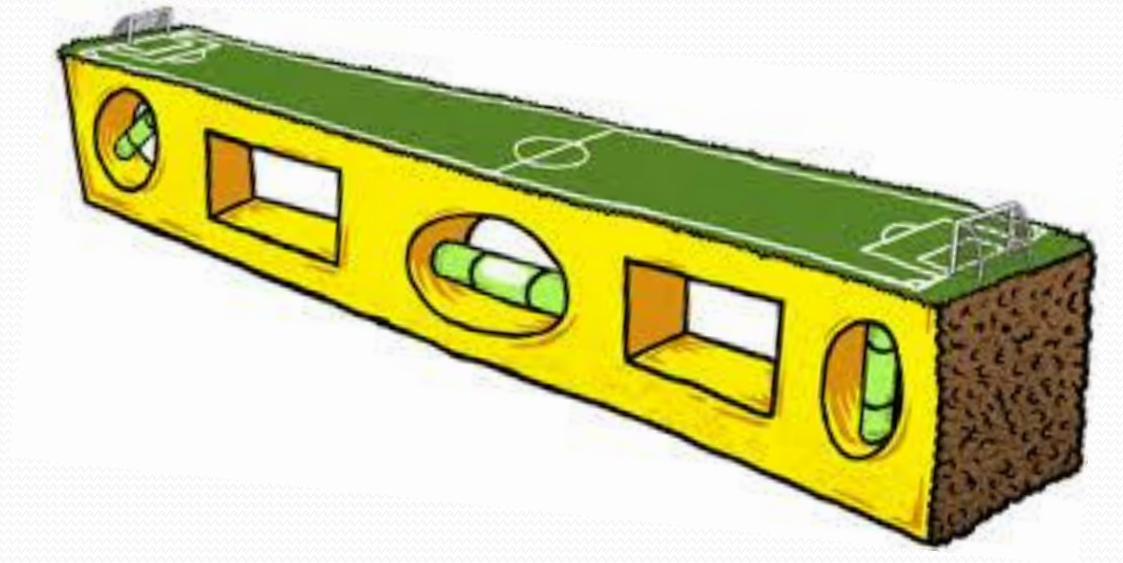
- Broker Model
 - Guest: 6-12%
 - Host: 3%

AIRBNB



What's the Problem?

- Lack of compliance with tax collection and remittance
- Exempt from regulations
- Safety
- Zoning issues



Lodging Facilities



- Hotel, motel, residence, cottage, or similar lodging facility
- Bed and breakfast home
 - Business in a private home that is permanent residence of owner/manager
 - Up to 8 rooms offered for < one week
 - Serves a meal(s) only to overnight guests & price is included in room rate
- Bed and breakfast inn
 - Not more than 12 rooms; serves 9-23 guests
 - Serves only breakfast

Current Law: Tax



- Rental of accommodation is subject to State and local sales tax and occupancy tax.
- Exemption for >90 days or private residence <15 days (if no real estate agent)
- Provider of accommodation or rental agent = retailer
- “Facilitators” must report and send to retailer portion of sales price owed and tax due.

Taxing in the Sharing Economy

- Who should collect ?
Homeowner? Internet platform?
 - Should occupancy tax be collected at State level to simplify remittance?
- Are there legal restrictions to requiring transaction brokers to collect?
- What about subscription-based sites that do not collect rental fee?



Current Law: Regulations

- Must obtain permit - \$120 fee
- Subject to Public Health Commission rules re: sanitation
- Required to have hard-wired carbon monoxide detectors.
- Subject to inspection.
- Less restrictive rules for B&Bs.
- Exemption for establishments with 4 or fewer lodging units and private homes that occasionally offer lodging.

Regulating in the Sharing Economy

Benefits of Industry

- Promotes tourism.
- Generates revenue for community.
- Economically efficient use of asset.
- Source of income; defrays cost of home or second home.

Why restrict?

- Unfair competition with licensed establishments.
- Increased noise and traffic.
- Reduced housing stock available to those who live and work in a community.

Regulating in the Sharing Economy

- Permit or prohibit?
- Registration
- Time limitations
- Zoning
- Inspections
- Make a distinction between “amateurs” and “professionals”



San Francisco

- Oct. 2014 – City enacted ordinance to legalize short-term rentals
- Entire home rentals limited to 90 days/yr. unless host is present, register with city, collect taxes, and carry liability insurance



- Airbnb agreed to collect taxes beginning Oct. 1
- HomeAway has filed suit alleging ordinance violates Commerce Clause

New York City

- 2010 law: No short-term rentals in apartment buildings; residents may rent for less than 30 days if present during stay and may rent single-family homes regardless of presence



- AG report found 72% of Airbnb rentals in NYC illegal; a single commercial user made \$6.8 M in less than five years.

Speakers

- **North Carolina Restaurant Association**
 - *Lynn Minges, President & CEO*
- **Oakwood Bed & Breakfast**
 - *Doris Jurkiewicz, Owner*

Digital Dispatch Services

Greg Roney, Research Division

Direction to Study

- Section 9 of House Bill 272, S.L. 2014-108 directed the Revenue Laws Study Committee to:
 - study the registration requirements, fees, and penalties applicable to for hire passenger vehicles, including for hire passenger vehicles directed by digital dispatching services.
- Digital Dispatching Services
 - Term appears in General Statutes
 - Not defined
 - Understood to refer to services like Uber, Lyft, Sidecar

Digital Dispatching Services

- Uber and Lyft currently operating in NC
 - National companies
 - Recruit drivers
 - Full-time or part-time
 - Drivers operate their own passenger cars
 - Independent contractors
 - Customers download an “app” to smartphone
 - Enter credit card to establish an account
 - Request pickup on app using GPS
 - Cashless transactions
 - Charges based on fees, distance, and time
 - “Surge” pricing during high-demand times

Current Law

- Cities regulate taxis
 - Authority granted by G.S. 160A-304
 - House Bill 74, S.L. 2013-413, Regulatory Reform Act of 2013, add an exclusion for digital dispatching services
- State sets license plate and insurance requirements for taxis and limousines
 - G.S. 20-4.01(27)(b) defines “For hire passenger vehicles” as “Vehicles transporting persons for compensation”
 - For hire vehicles have special license plates and must carry \$1.5 million of 24/7 liability insurance

Transportation Network Companies (TNC)

- TNC have a new business model
 - Vehicles not solely devoted to commercial operation
 - Concept of switching between commercial operation and private operation
 - Drivers decide when to work and turn on app
 - Example: Graduate student drives for UberX for 5 hours a week
- Current law
 - Based on vehicles dedicated to commercial use
 - Requires 24/7 commercial insurance coverage
 - Example: Taxi with trade dress, fare meter, and roof light

Major Issues

Safety

- Background checks for drivers
- Car inspections
- Fares
- Licenses to operate companies
- Licenses to drive taxis
- License plates

Insurance

- Insurance for private passenger cars excludes commercial use
- Uber and Lyft voluntarily provide some insurance
- Terms of Service

Summary	Taxi	Limousine	TNC
Example	TaxiTaxi	White Horse	UberX, Lyft
Service	On-demand, flag down, taxi stands, prearranged	Prearranged	Prearranged through smartphone app
License plate	“Taxi”	“For Hire”	Operating with private passenger plates
Insurance	Minimum \$1.5 million	Minimum \$1.5 million	Voluntarily providing primary insurance after match and while passenger or in car
Safety regulations	By city	By city	None/State passenger car
Fares	Maximum set by city; little competition	Negotiated	Set by TNC; surge pricing; competitive

